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difficulties expressed in my discussion of his book (which I hope will not be taken as an "attack"). I do not yet understand how sacrifices determine the (normal) expenses of production (although they may be in proportion to them); and I must leave to the reader to decide whether the theory of normal value is not laid down in Book II., before one can know what regulates the rewards for the sacrifices (or expenses of production). But, sharing Mr. Marshall's dislike for controversy, I shall leave the subject here.

J. LAURENCE LAUGHLIN.

GENERAL OVERPRODUCTION.

No principle of political economy is more generally accepted by the recognized authorities than that of the impossibility of a general overproduction; in other words, the impossibility of an excess of production, not beyond the amount that would be required to meet the desires of mankind, if products were to be distributed gratuitously, but beyond the amount required to meet all demands that are backed by the ability and the willingness to pay for the things demanded. This doctrine—that it is impossible that production should, on the whole, exceed the demands of the market—was declared by John Stuart Mill to be "fundamental." "Any difference of opinion on it," he asserted, "involves radically different conceptions of political economy, especially in its practical aspect. On the one view, we have only to consider how a sufficient production may be combined with the best possible distribution; but, on the other, there is a third thing to be considered,—how a market can be created for produce, or how production can be limited to the capabilities of the market."

It has happened that, in recent years, this principle, so generally accepted by the learned, has apparently been as generally contradicted by the every-day experience of practical men. During the last twelve or fifteen years, business men have, almost without exception, complained that, so far at least as the particular business of each was concerned, there

has been an actual overproduction ; and, unless a majority of these men have been mistaken as to the proportion of demand to production in their own specialties, general overproduction must have been, in spite of the theories of the economists, an actual existing fact. In this conflict of theory with apparent fact, it becomes important carefully to test the theory, in order to see whether it is based on sound reasoning.

The argument on which this theory is based has been very clearly and ingeniously stated by John Stuart Mill in his *Principles of Political Economy*, and is in substance this : No man produces anything, unless he expects either to consume it himself or to exchange it for something else which he expects to consume ; in other words, production never exists, unless an equivalent demand for consumption exists at the same time, and therefore production can never exceed in amount that demand for consumption, can never be developed into general overproduction. According to Mill, those who assert the possibility of general overproduction are involved in the absurdity of assuming that people will go on producing articles which they do not expect to use themselves or to exchange for other articles which they do expect to use ; and their error lies — to quote his own words — “in not perceiving that, though all who have an equivalent to give might be fully provided with every consumable article which they desire, the fact that they go on adding to the production proves that this is not the case.”

As applied to a simple state of society, where products are created without much division of labor and without much aid from machinery, the application and the force of this argument can readily be seen. Where one man makes hats, another coats, another boots, another raises wheat, another bakes bread, and so on, through the varied round of industries, it is evident that the maker of hats will work only so long as he may be in want of and intending to obtain, as soon as by the sale of hats he shall have supplied himself with the means of purchase, other consumable articles ; namely, coats, boots, bread, etc. Under these circumstances, the production of consumable articles being called into action only by the desire and intention of the producer forthwith to obtain other con-

sumable articles, the demand for consumption must always be equal to the production of articles to be consumed. In recent years, however, an element, previously of little weight, has become developed into a most important force in the social and industrial world. To-day, the desire presently to obtain consumable articles is by no means the sole incentive to production. A large part of the production of the present day is in fact prompted by a very different desire; namely, the desire to obtain investments which will, during future years, be a continuing source of annual income to their owner, such investments consisting in the main, either directly or indirectly, of what may be called the machinery of production and distribution,—in other words, of factories, railroads, steamships, warehouses, etc. Many men labor and produce to-day, not so much that they may presently consume and enjoy the products of labor, as that they may increase their ownership of this machinery by the building of new factories, ships, railroads, warehouses, etc.

If this desire to accumulate income-producing investments should be carried to an extreme,—if all men should, as is the case with many miserly persons to-day, deny themselves as far as possible the present enjoyment of consumable articles in the attempt to create and acquire the machinery of production and distribution,—the machinery would under such circumstances soon be found to be in excess of the use that the world was ready to make of it, there would be found to exist a minimum of the consumption of products and a maximum of the machinery for the creation of products. Then, inasmuch as the machinery of production would be the property of various individuals, each looking out solely for his own interests, it would happen that, when an individual found that the existing machinery similar to his own was capable of a production in excess of the demand and not salable except at a loss, he would not, in order to reduce production, stop the running of his own machinery, but, seeing that if he should stop his machinery he would still be subject to a large expense for its care and preservation, that it would rust and deteriorate, that his skilled workmen would scatter and be lost

to him, that his usual customers would be forced to supply themselves with the products of rival manufacturers, and that the trade thus lost might never be recovered,—seeing that all these mischiefs would result from his own stoppage of production, he would endeavor, to the extent of his means, to keep his own machinery running and to force upon his competitors the loss necessarily consequent upon such a stoppage. Thus, the excess of machinery would necessarily bring about a production in excess of the demands of the market. Thus, a large and powerful class in the community—namely, the owners of the immense mass of the machinery of production—would be induced to “go on adding to production” solely from a desire to protect and save their previously acquired property,—a condition of affairs the existence of which must be as fatal to the argument of Mill as would be the existence in human nature of a willingness and readiness to labor for production solely for the pleasure to be derived from the muscular effort involved in the process.

If general overproduction may thus be brought about by an excessive development of desires now largely influencing human conduct, it is shown to be by no means an impossibility, but a result not only possible, but unavoidable, whenever in the world generally the desire to postpone the present enjoyment of consumable articles, in order thereby to accumulate the machinery of production and distribution, shall be developed out of due proportion to the desire presently to consume and enjoy the products of that machinery.

URIEL H. CROCKER.

THERE is undoubtedly a sense in which the machinery of production and exchange might be multiplied in excess of human needs. If, with our present population, the number of farms, mills, and shops were increased tenfold, most of the increase would have to stand unused for the lack of workmen. This, however, does not appear to be the sense in which Mr. Crocker speaks of an excessive creation of machinery. What he fears is an overproduction of commodities,

and that, clearly, idle mills and farms would have no tendency to bring about. Machinery tells only when directed by human labor, and then, for the present question, only in so far as, by increasing production, it enables men to save more if they will. Strictly, the whole question turns on the effects of increased saving, and may arise in the simplest conditions of production as well as in the most advanced. If men could be relied on to consume promptly every increase of product gained by the extension of machinery, Mr. Crocker, as I understand him, would not apprehend any danger of overproduction, no matter how great the increase of commodities. I shall therefore, for the sake of brevity, drop machinery out of the account, and consider simply the bearing of increased saving on the demand for commodities.

Perhaps we shall most easily detect the weak point in Mr. Crocker's reasoning by noting that the word "demand," as he uses it, has two very different meanings, which he fails to distinguish. In relation to selling things, demand for a commodity means the offer of *some other commodity* in exchange for it: whereas, in relation to the use of savings, demand means the offer of *labor* in return for commodities.

Now, as regards the first of these senses, it is obvious, in the very nature of the case, that demand as a whole can never be less than supply as a whole. Supply of one thing is a demand for some other thing. Selling and buying are simply opposite views of one and the same act of exchange. The *motive* of the seller cannot lessen or postpone his demand of an equivalent from the buyer. To offer things to other men without the desire to get some other product of labor at once in exchange, is not to offer things for sale at all.

Demand, in the other sense, takes us out of the region of buying and selling altogether. Here we have to deal with capital and labor. Demand for savings is the offer of labor for wages. In order that the supply of capital shall exceed the demand for it, there must be more capital offering for labor than the laborers are willing to receive! The mere statement of the case is sufficient to show its absurdity.

S. M. MACVANE.